

Looking Ahead at the Alaska Economy: Business As Usual

By

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**BUSINESS OF CLEAN ENERGY IN ALASKA
CONFERENCE**

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Looking Back Before Looking Ahead: The Alaska State Seal



Looking Back: Alaska Natural Resources 1961 Market Value (Million 2007 \$)

◆ Mining	\$	62
◆ Seafood	\$	243
◆ Timber	\$	na
◆ Agriculture	\$	30
◆ Tourism	\$	na
◆ Oil & Gas	\$	94

Statehood: Constraints

- ◆ Small Size of Economy
- ◆ Far from Markets
- ◆ High Costs
- ◆ Seasonal Labor Supply
- ◆ Undeveloped Infrastructure
- ◆ Federal Dependence

Statehood: Some Hopes

- ◆ Cheap Energy-Rampart Dam
- ◆ Transport Links-Railroad Extension
- ◆ Steel Production
- ◆ Cement Production
- ◆ Aluminum Production
- ◆ Nuclear
- ◆ Timber
- ◆ Value Added Processing of Oil

Looking Backward: Jobs in 1961(Thousand)

◆ Military	33
◆ Fed Civilian	16
◆ Seafood	7
◆ Other Basic	4
◆ Infrastructure	9
◆ Trade	6
◆ Services	6
◆ State and Local Govt	8
◆ Other Support	5

Alaska Natural Resources: 2005 Market Value (Million \$2007)

◆ Mining	\$ 1,506
◆ Seafood	\$ 1,392
◆ Timber	\$ 142
◆ Agriculture	\$ 23
◆ Tourism	\$ 1,592
◆ Oil & Gas	\$ 18,925

Value determined at point of
production except for mining.

Natural Resource Industry: Job Growth (Thousands)

	STATE HOOD 1961	2006	Change
TOTAL	10	45	35
Tourism	1	22	21
Fishing	7	17	10
Air Cargo	-	3	3
Mining	1	2	1
Timber	1	1	-

Big Economic Driver Since Statehood: Part 1 Petroleum



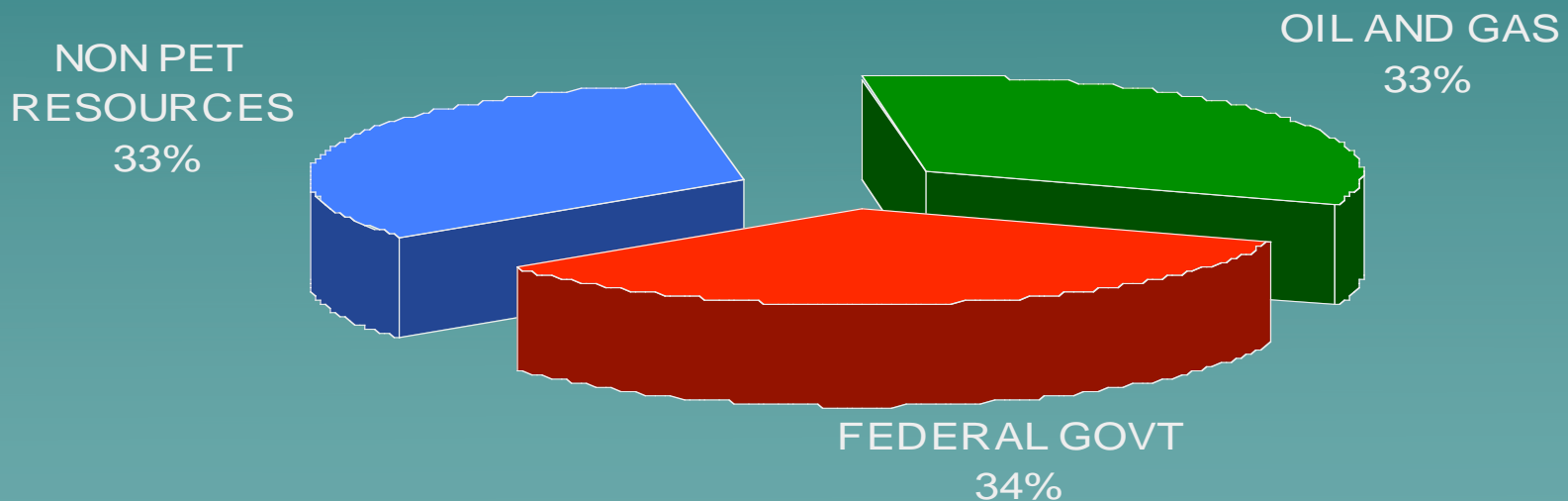
Alaska with Oil: Bigger, Richer, Healthier

- ◆ Job Opportunities
- ◆ Business Opportunities
- ◆ High Incomes
- ◆ Low Taxes
- ◆ Low Prices
- ◆ New People
- ◆ Public services
- ◆ Public Infrastructure
- ◆ Business infrastructure
- ◆ Consumer goods and services

Big Economic Drivers Since Statehood: Part 2 Federal Spending

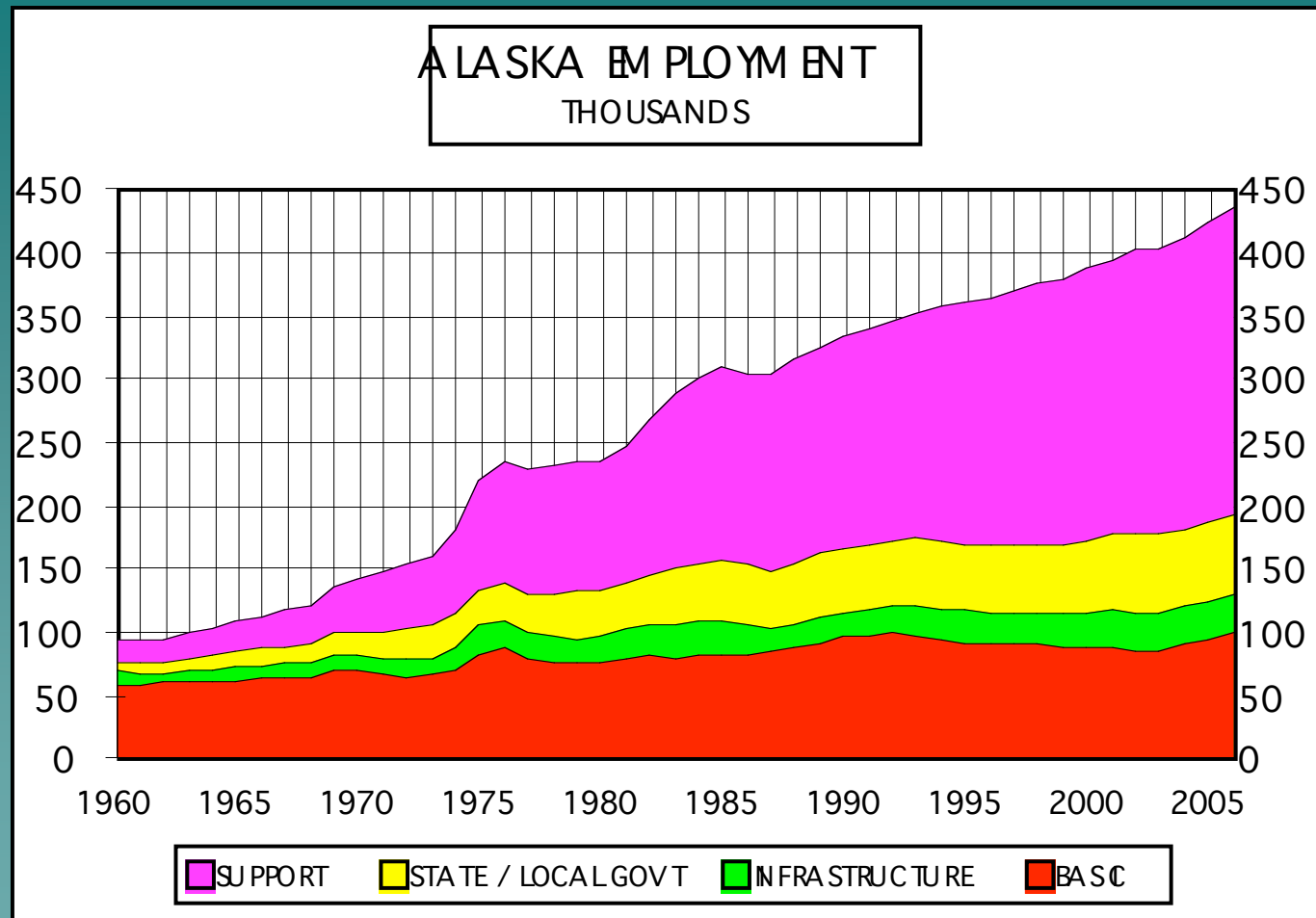


Alaska Economic Drivers: The Foundation of the Economy

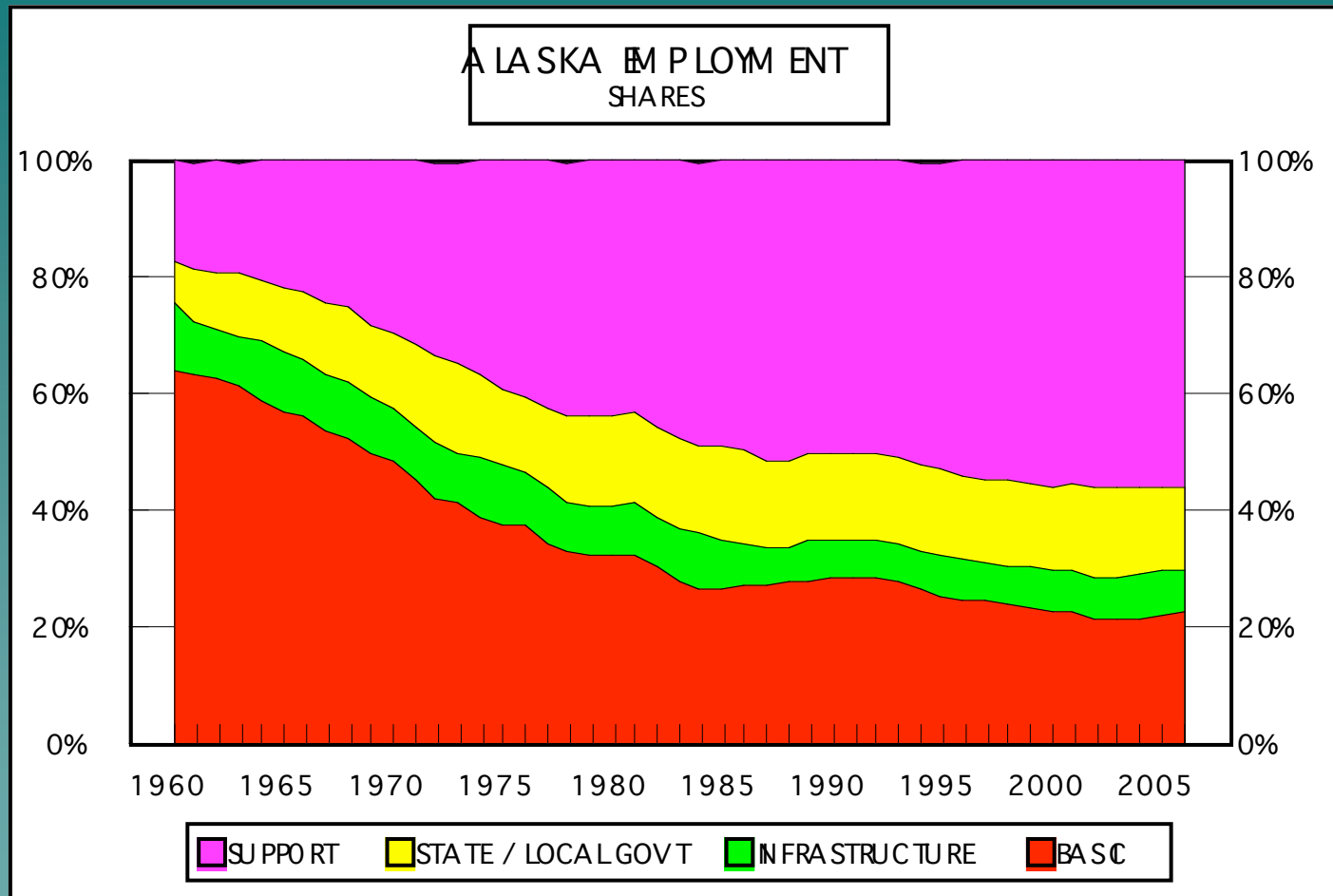


Shares of Personal Income in 2005

Historical Job Growth



Job Shares



Next 50 Years: Constraints

(Deja Vu all over again)

- ◆ Small Size of Economy
- ◆ Far from Markets
- ◆ High Costs
- ◆ Seasonal Labor Supply
- ◆ Undeveloped Infrastructure
- ◆ Federal Dependence

Next 50 Years: Hopes

(Deja Vu all over again)

- ◆ Cheap Energy
- ◆ Value Added Processing
- ◆ Transportation Expansion

Looking Ahead: The Audacity of Projections

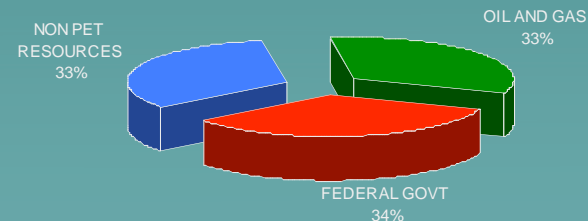
- ◆ WW II
- ◆ The pill

Looking Ahead: The World Outside

- ◆ Petroleum Based Economy
- ◆ Climate Change
- ◆ Rise of China, India, etc.
- ◆ Paying for Federal Programs

Looking Ahead: Drivers of the Economy

- ◆ Petroleum
- ◆ Other Natural Resources
- ◆ Federal Government



Petroleum Resources for a Sustainable Economic Future (Billion Barrels of Oil)

Production History:

North Slope	15.4
Cook Inlet	1.3

Reserves Today:

Central North Slope	5.9
Cook Inlet	.1

Potential Additional Reserves (Technically Recoverable—USGS, MMS):

ANWR	10.4
NPRA	10.6
OCS	23
Central North Slope	4

Looking Ahead: Petroleum

- ◆ Working Existing Assets
- ◆ Gasline
- ◆ NPRA
- ◆ OCS
- ◆ ANWR
- ◆ Heavy Oil

Indicators of Oil's Share of Economy

NR Production value since 1867	90%
State General Fund revenues	85%
Market value of resource production	82%
Industrial property tax base	80%
Private investment spending (Direct)	60%
Gross state product (Direct)	33%
Personal income (Total)	33%
Jobs (Total)	33%
Jobs in Oil Sector	3%

Traditional Natural Resources: Seafood



SEAFOOD: 2005 LANDED VALUE (Million \$)

TOTAL	\$1,295
Salmon	\$303
Groundfish	\$660
Halibut	\$169
Shellfish	\$148
Herring	\$15



28 thousand harvesters, 39% non resident. ??? processors, 73% non resident.

Traditional Natural Resources: Mining



Mineral Production Value (Mill		
	2005	2006
Zinc	\$862	\$2,003
Gold	\$190	\$336
Lead	\$115	\$184
Silver	\$85	\$130
Copper	-	-
	\$1,253	\$2,653

Zinc is used to galvanize steel. Price went thru the roof in 2006.

New Natural Resources: Tourism



1.5 million tourists in 2006 bring \$1.5 billion \$\$\$ with them to Alaska.

New Natural Resources: Air Cargo

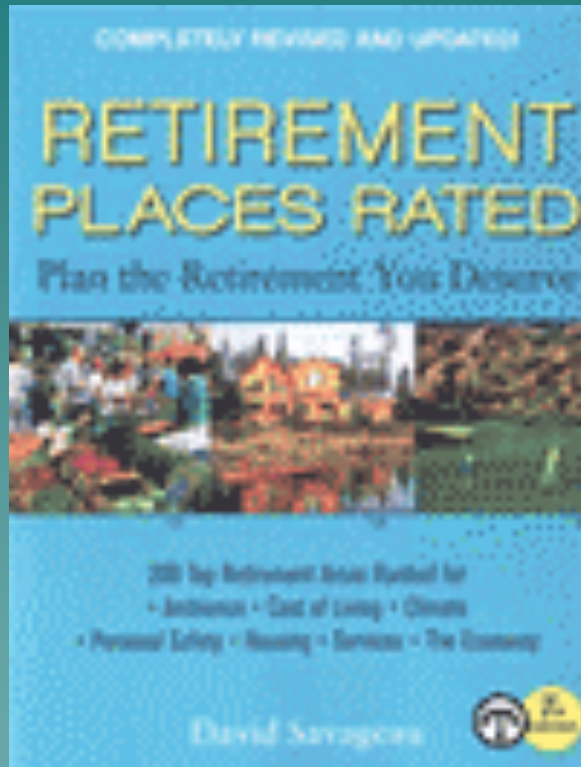
2006 CARGO TRAFFIC (Million Metric Tonnes)

Memphis	3.69
Hong Kong	3.61
Anchorage	2.80
Seoul	2.34
Tokyo	2.28



China Air alone averages 10 flights per day thru Anchorage.

New Natural Resources: Retirees



52 thousand retirees ages 60+ in 2004. \$1.5 billion of retirement and health care \$\$\$\$.

Looking Ahead: The Rest of the Drivers

- ◆ Military
- ◆ Federal Civilian
- ◆ Agriculture
- ◆ Timber
- ◆ Other Manufacturing

Looking Ahead: Jobs and Wages

- ◆ Slower Support Sector Growth
- ◆ Health Care
- ◆ Competition Moderates Wages

Looking Ahead: Population and Households

- ◆ Older
- ◆ More Diverse
- ◆ More Stable
- ◆ More Urban
- ◆ More Taxes

Looking Ahead: Public Amenities

- ◆ Taxes on HH and Businesses
- ◆ Slower Growth of Services
- ◆ Cost of Infrastructure Maintenance

Looking Ahead: Value of Natural Resources

- ◆ Amenity Values
- ◆ Environmental Values

Looking Ahead: Transformations

- ◆ Resource Curse
- ◆ Shrinking Surplus
- ◆ Local Production for Alaska Market

Maine Economic History in a Nutshell

Throughout the second half of the twentieth century, Maine has struggled to find a proper balance between resource-based industrial development and environmental protection.

The state has come to rely heavily on tourism, small manufacturing enterprises and defense-related activities and installations for much of its economic base.

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